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United States Senate

COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510-6350

EMILIA DISANTO, STAFF DIRECTOR
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March 8, 1999

The Honorable Alexis Herman
Office of the Secretary
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Secretary Herman:

The U.S. General Accounting Office (GAO) recently issued a report (GAO/HEHS-99-21) entitled "Davis-Bacon Act: Labor Now Verifies Wage Data, but Verification Process Needs Improvement." I have serious concerns regarding the deficiencies identified by GAO in the Department of Labor's (DOL/Department) verification activities and the implications for the immediate goal of improving the accuracy, reliability, and timeliness of the Davis-Bacon wage determinations.

According to the January 1999 report, errors were found in 70% of the wage determination forms submitted to the Wage and Hour Division and subsequently reviewed by the private accounting firm retained by the Department to conduct the onsite verifications. While reports are final on only 9 of the 85 area surveys scheduled for audit, GAO reports startling findings: **the errors averaged 76 cents per hour.**

The Congress' ability to assess the full magnitude of the problem is limited by several factors identified by GAO, including Wage and Hour's continued failure to maintain statistics on the frequency with which (1) errors are found on forms reviewed by the agency's own analysts as part of the verification activities conducted by telephone and (2) unverified data is assumed correct.

The GAO report offers important recommendations, which if followed, would ensure that the verification process is focused on the data that materially affects the wage determinations as well as reducing the likelihood of inaccurate or fraudulent data being submitted to the Department in the future. Systemic, long-term weaknesses in the Department's wage determination process have been the subject of numerous reports over the past 30 years. Addressing the Davis-Bacon program's susceptibility to fraud, waste, and abuse must be a top priority for the Department. Indeed, over three years ago, specific allegations of fraudulent data having been submitted to the Department surfaced in Oklahoma and has since resulted in a 14-count felony conviction.

The Honorable Alexis Herman

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In 1997, a subcommittee in the House of Representatives issued a report entitled "Fraud in the Davis-Bacon Act" that clearly documented how the erroneous submissions artificially inflated the wage rates and would have unnecessarily increased the cost of federal construction, having untold impact on thousands of small businesses throughout this country. According to data from the Bureau of Labor Statistics, 80% of employees in construction work for firms with less than 100 people, 65% work for firms with less than 50 people, and 43% work for firms with less than 20 people.

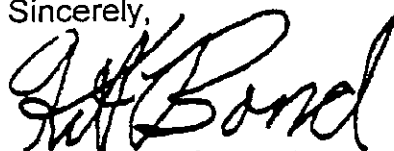
With federal taxpayers' dollars at stake and the integrity of the Department's program in question, this situation warrants your immediate attention to improve the verification process and its ability to ensure timely and accurate wage determinations. I was pleased to see that the Department of Labor's comments to GAO in response to the draft report indicate a willingness to implement GAO's recommendations. However, the Department, I understand, had expressly committed to improving the Davis-Bacon program in the past. Unfortunately, the most recent GAO report indicates that little has been done despite the Department's earlier and repeated representations.

Accordingly, I would appreciate being kept apprised of the Department's efforts to implement these changes, as well as the Department's progress in the longer-term objective of re-engineering the Davis-Bacon program. To that end, I would appreciate your providing me a written response by 3 p.m., Wednesday, April 7, that describes the steps being taken to implement the GAO's recommendations. Please include a timetable with dates by which each step is scheduled to be completed.

In addition, I would appreciate your instructing the Department's staff to provide the Committee's Regulatory Counsel, Suey Howe, with quarterly updates, beginning June 1, on the Department's efforts to improve the veracity of the data used to determine locally prevailing wages and fringe benefits. Under separate cover, I am requesting that the General Accounting Office independently verify and validate the actions being taken by the Department to: (1) improve the accuracy, reliability, and timeliness of the Davis-Bacon wage determinations and (2) re-engineer the program. If you should have any questions regarding this request, please have a member of your staff contact Suey Howe at (202) 224-5175.

Thank you in advance for your assistance and continued cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written over a horizontal line.

Christopher S. Bond
Chairman

cc: The Honorable David Walker